

**REPORT OF THE AUDIT OF THE
MASON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST Clair STREET
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
MASON COUNTY FISCAL COURT

June 30, 2009

The Auditor of Public Accounts has completed the audit of the Mason County Fiscal Court for fiscal year ended June 30, 2009.

We have issued unqualified opinions on the governmental activities, business-type activities, and each major fund of Mason County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$17,828,539 as of June 30, 2009. The fiscal court had unrestricted net assets of \$1,645,640 in its governmental funds as of June 30, 2009, with total net assets of \$9,466,291. In its business-type activities, total net cash and cash equivalents were \$2,802,819 with total net assets of \$8,362,248. The fiscal court had total debt principal as of June 30, 2009 of \$7,302,641 with \$736,753 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
MASON COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	35
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS	39
NOTES TO FINANCIAL STATEMENTS.....	41
BUDGETARY COMPARISON SCHEDULES	65
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	71
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	75
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable James Gallenstein, Mason County Judge/Executive
Members of the Mason County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Mason County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Mason County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Mason County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of Mason County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable James Gallenstein, Mason County Judge/Executive
Members of the Mason County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2010 on our consideration of Mason County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

April 26, 2010

MASON COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

James L. Gallenstein	County Judge/Executive
Patrick McKay IV	Commissioner
F. J. Finn	Commissioner
Donald Tumey	Commissioner

Other Elected Officials:

John Estill	County Attorney
Gerald Curtis	Jailer
Frances Cotterill	County Clerk
Patrick Boggs	Sheriff
Troy Cracraft	Property Valuation Administrator
Robert Brothers	Coroner

Appointed Personnel:

Kim Muse	County Treasurer
Megan Davenport	Finance Officer
Jerry Arthur	Road Supervisor
Amy Asher	Deputy Judge/Executive

Other Key Personnel:

Jack Fultz	EMS Director
Roger Mullikin	Animal Control Officer
Todd Leonard	Landfill Engineer
Steve Frodge	Recycling Coordinator
Kristy Arrasmith	Garbage Collections Administrator
Heather Cooper	Jail Administrative Assistant/Bookkeeper

THIS PAGE LEFT BLANK INTENTIONALLY

MASON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

MASON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,885,911	\$ 2,802,819	\$ 4,688,730
Total Current Assets	<u>1,885,911</u>	<u>2,802,819</u>	<u>4,688,730</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land & Land Improvements	1,577,376	2,113,046	3,690,422
Buildings and Improvements	7,322,221	3,511,888	10,834,109
Vehicles	497,948	303,983	801,931
Equipment	944,353	1,491,496	2,435,849
Furniture and Office Equipment	280,412	1,414	281,826
Infrastructure Assets - Net of Depreciation	<u>2,398,313</u>		<u>2,398,313</u>
Total Noncurrent Assets	<u>13,020,623</u>	<u>7,421,827</u>	<u>20,442,450</u>
Total Assets	<u>14,906,534</u>	<u>10,224,646</u>	<u>25,131,180</u>
LIABILITIES			
Current Liabilities:			
General Obligation Bonds	350,000		350,000
Financing Obligations	<u>76,425</u>	<u>310,328</u>	<u>386,753</u>
Total Current Liabilities	<u>426,425</u>	<u>310,328</u>	<u>736,753</u>
Noncurrent Liabilities:			
General Obligation Bonds	4,755,000		4,755,000
Financing Obligations	<u>258,818</u>	<u>1,552,070</u>	<u>1,810,888</u>
Total Noncurrent Liabilities	<u>5,013,818</u>	<u>1,552,070</u>	<u>6,565,888</u>
Total Liabilities	<u>5,440,243</u>	<u>1,862,398</u>	<u>7,302,641</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,580,380	5,559,429	13,139,809
Restricted	240,271	1,700,567	1,940,838
Unrestricted	<u>1,645,640</u>	<u>1,102,252</u>	<u>2,747,892</u>
Total Net Assets	<u>\$ 9,466,291</u>	<u>\$ 8,362,248</u>	<u>\$ 17,828,539</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

MASON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

MASON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,902,040	\$ 97,714	\$ 373,874	\$
Protection to Persons and Property	1,859,882	1,137,892	178,972	
General Health and Sanitation	153,858			119,049
Social Services	40,708	25,175		
Recreation and Culture	141,624			229,108
Roads	728,419	4,244	1,175,002	
Airports	8,000			
Bus Services	12,363			
Interest on Long-Term Debt	238,450			
Capital Projects	233,573			
Total Governmental Activities	6,318,917	1,265,025	1,727,848	348,157
Business-type Activities:				
Landfill Operations	1,828,228	2,211,238		
Garbage Collections	280,503	342,635		
Solid Waste Operations	278,795	116,157		
Jail Commissary	273,583	257,751		
Total Business-type Activities	2,661,109	2,927,781	0	
Total Primary Government	\$ 8,980,026	\$ 4,192,806	\$ 1,727,848	\$ 348,157

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Franchise Taxes

Insurance Premium Taxes

Other Taxes

In Lieu of Taxes

Excess Fees

Telephone Commissions

Reimbursements

Miscellaneous Revenues

Off Track Betting Commissions

Other Receipts

Interest

Transfers

Total General Revenues

and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (2,430,452)	\$	\$ (2,430,452)
(543,018)		(543,018)
(34,809)		(34,809)
(15,533)		(15,533)
87,484		87,484
450,827		450,827
(8,000)		(8,000)
(12,363)		(12,363)
(238,450)		(238,450)
(233,573)		(233,573)
(2,977,887)		(2,977,887)
	383,010	383,010
	62,132	62,132
	(162,638)	(162,638)
	(15,832)	(15,832)
	266,672	266,672
(2,977,887)	266,672	(2,711,215)
1,153,868		1,153,868
294,173		294,173
147,015		147,015
589,358		589,358
482,583		482,583
41,772		41,772
38,704		38,704
109,068		109,068
73,790		73,790
269,257		269,257
352,185	4,505	356,690
11,176		11,176
	81,720	81,720
11,371	31,373	42,744
(155,167)	155,167	
3,419,153	272,765	3,691,918
441,266	539,437	980,703
9,025,025	7,822,811	16,847,836
\$ 9,466,291	\$ 8,362,248	\$ 17,828,539

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

MASON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

MASON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	State Grants Fund
ASSETS					
Cash and Cash Equivalents	\$ 1,265,558	\$ 135,609	\$ 122,701	\$ 94,510	\$ 11,401
Total Assets	<u>1,265,558</u>	<u>135,609</u>	<u>122,701</u>	<u>94,510</u>	<u>11,401</u>
FUND BALANCES					
Reserved for:					
Encumbrances	2,401	6,185	24,072	621	
CMRS Expenditures	82,531				
Escrow Accounts	1,536				
Grant Expenditures					11,401
Debt Service					
Unreserved:					
General Fund	1,179,090				
Special Revenue Funds		129,424	98,629	93,889	
Debt Service Fund					
Total Fund Balances	<u>\$ 1,265,558</u>	<u>\$ 135,609</u>	<u>\$ 122,701</u>	<u>\$ 94,510</u>	<u>\$ 11,401</u>

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 1,885,911
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds	18,687,514
Accumulated Depreciation	(5,666,891)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
General Obligation Bonds	(5,105,000)
Financing Obligations	<u>(335,243)</u>
Net Assets Of Governmental Activities	<u>\$ 9,466,291</u>

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Federal Grants Fund	Public Properties Corporation Fund	Total Governmental Funds
<u>\$ 353</u>	<u>\$ 255,779</u>	<u>\$ 1,885,911</u>
<u>353</u>	<u>255,779</u>	<u>1,885,911</u>
		33,279
		82,531
		1,536
253		11,654
	111,271	111,271
		1,179,090
100		322,042
	144,508	144,508
<u>\$ 353</u>	<u>\$ 255,779</u>	<u>\$ 1,885,911</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

MASON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

MASON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 2,699,833	\$	\$	\$
In Lieu Tax Payments	38,704			
Excess Fees	109,068			
Licenses and Permits	45,017			
Intergovernmental	382,810	876,497	1,159,430	331,203
Charges for Services	11,880	4,244	112,856	
Miscellaneous	223,521	4,107	131,924	71,862
Interest	7,319	1,390	395	368
Total Revenues	<u>3,518,152</u>	<u>886,238</u>	<u>1,404,605</u>	<u>403,433</u>
EXPENDITURES				
General Government	1,191,050			85,274
Protection to Persons and Property	167,422		1,361,298	39,267
General Health and Sanitation	47,387			19,685
Social Services	3,365			37,343
Recreation and Culture	10,043			126,730
Roads		654,185		46,293
Airports				8,000
Bus Services	12,363			
Debt Service	51,180	43,653		
Capital Projects				
Administration	882,576	216,467	528,299	26,519
Total Expenditures	<u>2,365,386</u>	<u>914,305</u>	<u>1,889,597</u>	<u>389,111</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,152,766</u>	<u>(28,067)</u>	<u>(484,992)</u>	<u>14,322</u>
Other Financing Sources (Uses)				
Transfers To Other Funds	(1,077,272)		(164,879)	(27,475)
Transfers From Other Funds		85,470	661,582	50,000
Total Other Financing Sources (Uses)	<u>(1,077,272)</u>	<u>85,470</u>	<u>496,703</u>	<u>22,525</u>
Net Change in Fund Balances	75,494	57,403	11,711	36,847
Fund Balances - Beginning	1,190,064	78,206	110,990	57,663
Fund Balances - Ending	<u>\$ 1,265,558</u>	<u>\$ 135,609</u>	<u>\$ 122,701</u>	<u>\$ 94,510</u>

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

State Grants Fund	Federal Grants Fund	Public Properties Corporation Fund	Total Governmental Funds
\$	\$	\$	\$ 2,699,833
			38,704
			109,068
			45,017
348,157			3,098,097
			128,980
		352,866	784,280
709		1,191	11,372
<u>348,866</u>		<u>354,057</u>	<u>6,915,351</u>
			1,276,324
	89,747		1,657,734
119,049			186,121
			40,708
			136,773
			700,478
			8,000
			12,363
		585,061	679,894
447,857			447,857
		15	1,653,876
<u>566,906</u>	<u>89,747</u>	<u>585,076</u>	<u>6,800,128</u>
<u>(218,040)</u>	<u>(89,747)</u>	<u>(231,019)</u>	<u>115,223</u>
			(1,269,626)
	90,000	227,407	1,114,459
	90,000	227,407	(155,167)
(218,040)	253	(3,612)	(39,944)
229,441	100	259,391	1,925,855
<u>\$ 11,401</u>	<u>\$ 353</u>	<u>\$ 255,779</u>	<u>\$ 1,885,911</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

MASON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

MASON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$	(39,944)
--	----	----------

Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay		771,888
Depreciation Expense		(730,122)
Assets Disposed Of, Net Book Value		(2,000)

Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a use of Current Financial Resources.

Financing Obligations Principal Payments		106,444
Bond Payments		335,000

Change in Net Assets of Governmental Activities	\$	441,266
---	----	---------

THIS PAGE LEFT BLANK INTENTIONALLY

MASON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

MASON COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

Business-Type Activities					
	Landfill Fund	Garbage Collections Fund	Solid Waste Fund	Jail Commissary Fund	Totals
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 2,573,321	\$ 181,052	\$ 33,449	\$ 14,997	\$ 2,802,819
Total Current Assets	2,573,321	181,052	33,449	14,997	2,802,819
Noncurrent Assets:					
Capital Assets:					
Land and Land Improvements	620,842				620,842
Construction In Progress	1,492,204				1,492,204
Buildings and Improvements	4,479,640		186,340		4,665,980
Vehicles	396,761		38,170	39,285	474,216
Equipment	2,409,402	8,130	223,877	29,135	2,670,544
Furniture and Office Equipment	24,255				24,255
Less: Accumulated Depreciati	(2,255,499)	(3,064)	(225,589)	(42,062)	(2,526,214)
Total Noncurrent Assets	7,167,605	5,066	222,798	26,358	7,421,827
Total Assets	9,740,926	186,118	256,247	41,355	10,224,646
Liabilities					
Current Liabilities:					
Financing Obligations Payable	310,328				310,328
Total Current Liabilities	310,328				310,328
Noncurrent Liabilities:					
Financing Obligations Payable	1,552,070				1,552,070
Total Noncurrent Liabilities	1,552,070				1,552,070
Total Liabilities	1,862,398				1,862,398
Net Assets					
Invested in Capital Assets,					
Net of Related Debt	5,305,207	5,066	222,798	26,358	5,559,429
Restricted	1,687,383			13,184	1,700,567
Unrestricted	885,938	181,052	33,449	1,813	1,102,252
Total Net Assets	\$ 7,878,528	\$ 186,118	\$ 256,247	\$ 41,355	\$ 8,362,248

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

MASON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

MASON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities				Totals
	Landfill Fund	Garbage Collections Fund	Solid Waste Fund	Jail Commissary Fund	
Operating Revenues					
Tipping Fees	\$ 1,809,275	\$	\$	\$	\$ 1,809,275
Roll-Off Container Receipts	299,662				299,662
Kentucky Environmental Remediation Fees	102,301				102,301
Garbage Collection Fees		342,635			342,635
Recycling Receipts			116,157		116,157
Commissary Receipts				257,751	257,751
State Grants					
Other Receipts	78,896		2,575	249	81,720
Total Operating Revenues	2,290,134	342,635	118,732	258,000	3,009,501
Operating Expenses					
Cost of Sales			29,686	51,302	80,988
Educational, Recreational, and Medical				4,227	4,227
Booking Fees				111,232	111,232
Garbage Collection Payments		68,466		0	68,466
Personnel Costs	725,690	156,003	148,245	4,000	1,033,938
Advertising	364		1,752		2,116
Contractual Services	11,864		1,539		13,403
Engineering Services	16,639				16,639
Rentals	6,733				6,733
Composting	2,850				2,850
Towing	1,295				1,295
Storage and Hauling			7,823		7,823
Solid Waste Enforcement	2,724				2,724
Building Maintenance Supplies	917		414		1,331
Cusodial Supplies	411		1,039		1,450
Machinery and Equipment	1,551	5,765	2,163		9,479
Machinery and Equipment Parts	65,138		12,841		77,979
Office Supplies	4,723	1,916	87		6,726
Leachate Maintenance	20,442				20,442
Books and Periodicals	135				135
Petroleum Products	182,124	32,722	10,822		225,668
Materials and Supplies	20,585	1,072	8,765		30,422
Tools	563				563
Tires and Tubes	15,225				15,225
Uniforms	1,995		1,419		3,414
Groundwater Testing	50,904				50,904
Licenses and Permits	570				570
Waste Tire and Oil Operation	8,893				8,893
Landfill Memberships	261				261
Landfill Reimbursements	3,841				3,841
Staff Training and Conventions	4,355				4,355

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

	Business-Type Activities				
	Landfill	Garbage	Solid Waste	Jail	
	Fund	Collections	Fund	Commissary	Totals
	Fund	Fund	Fund	Fund	
Operating Expenses (continued)					
Renewals and Repairs	\$ 15	\$	\$	\$	\$ 15
Telephone	4,933		1,009		5,942
Utilities	17,808	1,694	8,213		27,715
Landfill Equipment Repairs	85,250				85,250
Building Maintenance and Repairs			2,761		2,761
Vehicle Maintenance and Repairs		11,532	3,292		14,824
Landfill Safety	908				908
Improvements	6,815				6,815
Rolloff Containers - Machinery and Equipment	105				105
Rolloff Containers - Parts and Supplies	33,657				33,657
Rolloff Containers - Equipment Repairs	25,745				25,745
Landfill Post-Closure Care	950				950
Landfill Property Acquisition	195				195
Kentucky Environmental Remediation Payment	98,715				98,715
Insurance	20,990		4,715		25,705
Depreciation Expense	308,827	1,237	31,989	9,529	351,582
Miscellaneous	295	96	66	1,758	2,215
Total Operating Expenses	1,756,000	280,503	278,640	182,048	2,497,191
Operating Income (Loss)	534,134	62,132	(159,908)	75,952	512,310
Nonoperating Revenues (Expenses)					
Interest Income	30,767	459	85	62	31,373
Interest Expense	(58,375)		(155)		(58,530)
Loss on Sale of Asset	(13,853)				(13,853)
Inmate Pay From State				4,505	4,505
Inmate Refunds				(91,535)	(91,535)
Total Nonoperating Revenues (Expenses) Before Transfers	(41,461)	459	(70)	(86,968)	(128,040)
Transfers In	5,167	0	150,000		155,167
Change In Net Assets	497,840	62,591	(9,978)	(11,016)	539,437
Total Net Assets - Beginning	7,380,688	123,527	266,225	52,371	7,822,811
Total Net Assets - Ending	\$ 7,878,528	\$ 186,118	\$ 256,247	\$ 41,355	\$ 8,362,248

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

MASON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities				Totals
	Landfill Fund	Garbage Collections Fund	Solid Waste Fund	Jail Commissary Fund	
Cash Flows From Operating Activities					
Receipts From Customers	\$ 2,211,238	\$ 342,635	\$ 116,157	\$ 257,751	\$ 2,927,781
Other Receipts	78,896		2,575	249	81,720
Insurance	(20,990)		(4,715)		(25,705)
Utilities	(22,741)	(1,694)	(9,222)		(33,657)
Repairs and Maintenance	(257,455)	(17,297)	(19,308)		(294,060)
Fuel and Oil	(182,124)	(32,722)	(10,822)		(225,668)
Materials and Supplies	(62,288)	(2,988)	(11,310)		(76,586)
Tires and Tubes	(15,225)				(15,225)
Equipment Rental	(6,733)				(6,733)
Professional Services	(28,867)				(28,867)
Other Operating Expenses	(115,040)	(68,466)	(3,915)		(187,421)
Cost of Sales			(39,048)	(53,060)	(92,108)
Recreational, Vocational and Medical				(4,227)	(4,227)
Booking Fees				(111,232)	(111,232)
Personnel Costs	(725,690)	(156,003)	(148,245)	(4,000)	(1,033,938)
Miscellaneous	(10,020)	(96)	(66)		(10,182)
Net Cash Provided By Operating Activities	842,961	63,369	(127,919)	85,481	863,892
Cash Flows From Noncapital Financing Activities					
Inmate Pay From State				4,505	4,505
Inmate Refunds on Accounts				(91,535)	(91,535)
Transfers From Other Funds	5,167		150,000		155,167
Net Cash Provided By Noncapital Financing Activities	5,167		150,000	(87,030)	68,137
Cash Flows From Capital and Related Financing Activities					
Lease Proceeds	1,425,500				1,425,500
Principal Paid on Financing Obligations	(381,632)		(5,950)		(387,582)
Interest Paid on Financing Obligations	(58,375)		(155)		(58,530)
Loss on Sale of Asset	(13,853)				(13,853)
Capital Assets Purchased	(2,012,847)	(2,040)	(6,690)		(2,021,577)
Net Cash (Used) Provided By Capital and Related Financing Activities	(1,041,207)	(2,040)	(12,795)		(1,056,042)

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

	Business-Type Activities				
	Landfill Fund	Garbage Collections Fund	Solid Waste Fund	Jail Commissary Fund	Totals
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 534,134	\$ 62,132	\$ (159,908)	\$ 75,952	\$ 512,310
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities					
Depreciation Expense	308,827	1,237	31,989	9,529	351,582
Net Cash Provided By Operating Activities	<u>\$ 842,961</u>	<u>\$ 63,369</u>	<u>\$ (127,919)</u>	<u>\$ 85,481</u>	<u>\$ 863,892</u>

The accompanying notes are an integral part of the financial statements.

MASON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

MASON COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Agency Fund</u>
	Employee
	Christmas
	Club
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 11,823
Total Assets	<u>11,823</u>
Liabilities	
Amounts Held In Custody For Others	<u>11,823</u>
Total Liabilities	<u>11,823</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	41
NOTE 2.	DEPOSITS	48
NOTE 3.	CAPITAL ASSETS.....	49
NOTE 4.	SHORT-TERM DEBT.....	51
NOTE 5.	LONG-TERM DEBT	51
NOTE 6.	EMPLOYEE RETIREMENT SYSTEM	59
NOTE 7.	DEFERRED COMPENSATION	60
NOTE 8.	LANDFILL CLOSURE AND POST-CLOSURE CARE	60
NOTE 9.	INSURANCE	61
NOTE 10.	RELATED PARTY TRANSACTIONS.....	61
NOTE 11.	INTERFUND TRANSFERS	62
NOTE 12.	PRIOR PERIOD ADJUSTMENTS	62

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Mason County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

Mason County Public Properties Corporation

The Mason County Fiscal Court appoints the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended with Mason County's financial statements. All activities of the Public Properties Corporation are accounted for within a major (debt service) fund.

C. Mason County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Mason County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Mason County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major. The county has no non-major funds.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance (LGEA) Fund - The purpose of this fund is to account for protection to persons and properties expenses of the county. The primary sources of revenues for this fund are coal impact and mineral severance payments from the state government. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

State Grants Fund - The purpose of this fund is to account for expenditures funded by state grants.

Federal Grants Fund - The purpose of this fund is to account for expenditures funded by federal grants.

Public Properties Corporation Fund - This fund is used to account for the activity of the Mason County Public Properties Corporation (MCPPC), a blended component unit. Revenues and expenditures of this fund are generally restricted for specific purposes, such as issuance of debt for construction projects. The Department for Local Government does not require the fiscal court to report or budget these funds. However, the Mason County Treasurer does report and budget these funds.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, and Federal Grants Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Commissary Fund, charges to customers for tipping fees in the Landfill Fund and Solid Waste Fund, and charges to customers for garbage collection services in the Garbage Collections Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

The government reports the following major proprietary funds:

Jail Commissary Fund - The commissary operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

Landfill Fund - The primary purpose of this fund is to account for the activities of the landfill. The primary sources of revenue for this fund are charges to customers for tipping fees.

Garbage Collections Fund - The primary purpose of this fund is to account for the activities of the garbage collections service. The primary source of revenue for this fund is monthly customer charges for services.

Solid Waste Fund - The primary purpose of this fund is to account for activities related to solid waste management at the recycling center. The county buys items such as cardboard and aluminum that can be recycled, and then sells these items to various businesses.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Employees' Christmas Club. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Employees' Christmas Club - Accounts for funds withheld from employees' gross wages and deposited in the bank until the employee chooses to withdraw the funds.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, machinery and equipment, furniture and office equipment, vehicles and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 1	
Depreciable Land Improvements	\$ 2,500	10-60
Buildings	\$ 2,500	10-75
Building Improvements	\$ 2,500	5-75
Machinery and Equipment	\$ 2,500	3-25
Furniture and Fixtures	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 2,500	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of Mason County Fiscal Court: Western Mason Water District and Western Lewis-Rectorville Water District.

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating government. The jointly governed organization can act independently of each of the participating governments. Based upon these criteria, the following are considered jointly governed organizations of the Mason County Fiscal Court: Mason County-City of Maysville Tourism Commission, Mason County-City of Maysville Industrial Development, Mason County-City of Maysville Parks and Recreation, Mason County-City of Maysville Ambulance Service, Mason County-City of Maysville Planning and Zoning Commission, Mason County-City of Maysville E-911, and the Fleming-Mason Airport.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,577,376	\$	\$	\$ 1,577,376
Construction In Progress	352,139		(352,139)	
Total Capital Assets Not Being Depreciated	1,929,515		(352,139)	1,577,376
Capital Assets Being Depreciated:				
Buildings and Improvements	10,130,556	379,786		10,510,342
Vehicles	1,079,588	29,043	(2,500)	1,106,131
Equipment	1,671,859	128,689	(9,235)	1,791,313
Furniture and Office Equipment	484,483	101,293	(4,857)	580,919
Infrastructure	2,636,217	485,216		3,121,433
Total Capital Assets Being Depreciated	16,002,703	1,124,027	(16,592)	17,110,138
Less Accumulated Depreciation For:				
Buildings and Improvements	(2,922,366)	(265,755)		(3,188,121)
Vehicles	(526,024)	(83,659)	1,500	(608,183)
Equipment	(715,862)	(139,333)	8,235	(846,960)
Furniture and Office Equipment	(263,315)	(42,049)	4,857	(300,507)
Infrastructure	(523,794)	(199,326)		(723,120)
Total Accumulated Depreciation	(4,951,361)	(730,122)	14,592	(5,666,891)
Total Capital Assets Being Depreciated, Net	11,051,342	393,905	(2,000)	11,443,247
Governmental Activities Capital Assets, Net	\$ 12,980,857	\$ 393,905	\$ (354,139)	\$ 13,020,623

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 119,872
Protection to Persons and Property	316,543
General Health and Sanitation	86,786
Recreation and Culture	4,851
Roads, Including Depreciation of General Infrastructure Assets	194,494
Capital Projects	7,576
Total Depreciation Expense - Governmental Activities	\$ 730,122

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 478,270	\$ 142,572	\$	\$ 620,842
Construction In Progress		1,492,204		1,492,204
Total Capital Assets Not Being Depreciated	478,270	1,634,776		2,113,046
Capital Assets Being Depreciated:				
Buildings and Improvements	4,665,980			4,665,980
Vehicles	329,716	144,500		474,216
Equipment	2,428,243	242,301		2,670,544
Furniture and Office Equipment	24,255			24,255
Total Capital Assets Being Depreciated	7,448,194	386,801		7,834,995
Less Accumulated Depreciation For:				
Building and Improvements	(1,010,928)	(143,164)		(1,154,092)
Vehicles	(134,460)	(35,773)		(170,233)
Equipment	(1,013,506)	(165,542)		(1,179,048)
Furniture and Office Equipment	(15,738)	(7,103)		(22,841)
Total Accumulated Depreciation	(2,174,632)	(351,582)		(2,526,214)
Total Capital Assets, Being Depreciated, Net	5,273,562	35,219		5,308,781
Business-Type Activities Capital Assets, Net	\$ 5,751,832	\$ 1,669,995	\$ 0	\$ 7,421,827

Depreciation expense was charged to functions of the primary government as follows:

<u>Business-Type Activities</u>	
Landfill Fund	\$ 308,827
Garbage Collection Fund	1,237
Solid Waste Fund	31,989
Jail Commissary Fund	9,529
Total Depreciation Expense - Business-Type Activities	<u>\$ 351,582</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Short-term Debt

On January 23, 2008, Mason County Fiscal Court entered into a short-term lease with the Kentucky Association of Counties Leasing Trust to finance the purchase of a 2008 model Mack dump truck. This lease was paid in full in February 2009, leaving the principal balance at June 30, 2009 at \$0.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-Type Activities:</u>					
Financing Obligations	\$ 122,777	\$	\$ 122,777	\$	\$
Business-type Activities					
Short-term Liabilities	<u>\$ 122,777</u>	<u>\$ 0</u>	<u>\$ 122,777</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 5. Long-term Debt

A. First Mortgage Refunding Revenue Bonds

In February 1998, Mason County Public Properties Corporation issued \$1,880,000 first mortgage refunding revenue bonds for the purpose of paying the outstanding principal and interest of the Mason County Public Properties Corporation first mortgage revenue bonds, Series 1991. Principal payments are due each year on June 1, in the amounts indicated below. Interest on the bonds is payable each June 1, and December 1. The total principal balance was \$485,000 as of June 30, 2009. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2010	\$ 22,310	\$ 155,000
2011	15,180	160,000
2012	7,820	170,000
	<u>\$ 45,310</u>	<u>\$ 485,000</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (continued)

B. First Mortgage Refunding Revenue Bonds

In March 2007, Mason County Public Properties Corporation issued \$4,910,000 first mortgage revenue refunding bonds for the purpose of paying the outstanding principal and interest of the Mason County Public Properties Corporation first mortgage revenue bonds, Series 1999. Principal payments are due each year on March 1, starting March 1, 2008, in the amounts indicated below. Interest on the bonds is payable each September 1, and March 1. The total principal balance is \$4,620,000 as of June 30, 2009. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 177,870	\$ 195,000
2011	170,362	205,000
2012	162,470	210,000
2013	154,385	220,000
2014	145,915	230,000
2015 - 2019	590,975	1,275,000
2020 - 2024	323,785	1,565,000
2025 - 2026	41,772	720,000
	<u>\$ 1,767,534</u>	<u>\$ 4,620,000</u>

C. Financing Obligation

In December 1998, Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District (BTADD), for rehabilitation of housing for the elderly. The note was for \$42,000 with an interest rate of 2.00% per annum. Principal and interest are to be repaid in twenty equal, consecutive annual installments of \$2,569, commencing on September 30, 2000, and continuing annually thereafter on the 30th day of September until the maturity date on September 30, 2019. The total principal balance was \$25,138 as of June 30, 2009. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 503	\$ 2,066
2011	461	2,107
2012	419	2,149
2013	376	2,192
2014	332	2,236
2015 - 2019	974	11,870
2020	50	2,518
	<u>\$ 3,115</u>	<u>\$ 25,138</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (continued)

D. Financing Obligation

In March 1999, Mason County Public Properties Corporation entered into a note with Kentucky Housing Corporation, for rehabilitation of housing for the elderly. The note was for \$135,366 with an interest rate of 2.00% per annum. Principal and interest are to be repaid in twenty equal, consecutive annual installments of \$8,279, commencing on July 1, 2000, and continuing annually thereafter on the first day of July until the maturity date on July 1, 2019. One extra payment was made in fiscal year ended June 30, 2009; therefore a payment is not due in fiscal year ending June 30, 2010. The total principal balance was \$74,362 as of June 30, 2009. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2010	\$ -	\$ -
2011	1,487	6,791
2012	1,351	6,927
2013	1,213	7,066
2014	1,072	7,207
2015 - 2019	3,135	38,255
2020	162	8,116
	<u>\$ 8,420</u>	<u>\$ 74,362</u>

E. Financing Obligation

On August 15, 2006, Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District (BTADD), for Phase II housing for the elderly. The note was for \$20,000 with an interest rate of 3.00% per annum. The agreement requires annual payments of principal and interest on August 15 of each year. The total principal balance was \$18,083 as of June 30, 2009. Future principal and interest requirements are:

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (continued)

E. Financing Obligation (continued)

Governmental Activities		
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 561	\$ 460
2011	547	474
2012	533	488
2013	518	503
2014	503	518
2015 - 2019	2,274	2,831
2020 - 2024	1,823	3,282
2025 - 2029	1,300	3,805
2030 - 2034	694	4,411
2035 - 2036	87	1,311
	<u>\$ 8,840</u>	<u>\$ 18,083</u>

F. Financing Obligation

On March 1, 2006, Mason County Fiscal Court entered into a lease agreement with Kentucky Housing Corporation for rehabilitation of housing for the elderly. The lease was for \$136,000 with an interest rate of 3.50% per annum. Principal and interest are to be repaid in thirty equal, consecutive annual installments of \$7,328, commencing on August 1, 2006 and ending on August 1, 2036. The total principal outstanding as of June 30, 2009, was \$127,888. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 4,430	\$ 2,899
2011	4,327	3,002
2012	4,220	3,108
2013	4,109	3,219
2014	3,995	3,333
2015 - 2019	18,110	18,533
2020 - 2024	14,571	22,071
2025 - 2029	10,357	26,285
2030 - 2034	5,338	31,304
2035 - 2036	521	14,134
	<u>\$ 69,978</u>	<u>\$ 127,888</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (continued)

G. Financing Obligation

On June 2, 2006, Mason County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase 2 Packer trucks for collection of garbage. The lease is for \$192,000 at an interest rate of 4.25% per annum. Interest payments are due semi-annually on July 1 and January 1 of each fiscal year. Principal payments are due annually by January 1. The principal outstanding as of June 30, 2009, was \$51,000. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 1,620	\$ 51,000
	<u>\$ 1,620</u>	<u>\$ 51,000</u>

H. Financing Obligation

On November 28, 2006, Mason County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase a dump truck. The lease is for \$73,665 at an interest rate of 3.54% per annum. Interest payments are due by the 20th of each month. Principal payments are due annually by January 20. The principal outstanding as of June 30, 2009, was \$38,665. Future principal and interest requirements are:

Governmental Activities		
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 1,524	\$ 20,000
2011	597	18,665
	<u>\$ 2,121</u>	<u>\$ 38,665</u>

I. Financing Obligation

In June 1996, Mason County Fiscal Court entered into a \$1,500,000 lease agreement with Fifth Third Bank for landfill construction. The agreement requires a semi-annual payment of \$74,906, which includes 5.67 percent interest through and including June 1, 2001, and thereafter for each succeeding five year period at a rate equal to the five year interest rate for U.S. Treasury Obligations, as published by the lessor's treasury department, plus 227 basis points multiplied by .65, as calculated on June 1, 2001, and June 1, 2006. The principal balance outstanding as of June 30, 2009 was \$180,708. Future principal and interest requirements are:

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (continued)

I. Financing Obligation (continued)

	Business-Type Activities	
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 5,278	\$ 144,533
2011	660	36,175
	<u>\$ 5,938</u>	<u>\$ 180,708</u>

J. Financing Obligation

In September 2004, Mason County Fiscal Court entered into a \$400,000 lease agreement with Fifth Third Bank for Phase III Landfill Construction. The agreement requires a semi-annual principal and interest payments due March and September of each year. Interest payments are based on an interest rate equal to 3.95% through and including September 1, 2009. Thereafter and for the succeeding three-year period, the interest rate shall be a rate equal to the three years U.S. Swap Rate as published by the lessor's treasury department, plus 250 basis points multiplied by .65, plus .25% as calculated on September 1, 2009. The principal balance outstanding as of June 30, 2009 was \$220,000. Future principal and interest requirements are:

	Business-Type Activities	
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 8,295	\$ 53,335
2011	5,925	66,670
2012	3,292	66,670
2013	658	33,325
	<u>\$ 18,170</u>	<u>\$ 220,000</u>

K. Financing Obligation

On June 2, 2006, Mason County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase 2 roll-off trucks for the landfill. The lease is for \$128,000 at an interest rate of 4.25% per annum. Interest payments are due semi-annually on July 1 and January 1 of each fiscal year. Principal payments are due annually by January 1. The principal outstanding as of June 30, 2009, was \$34,000. Future principal and interest requirements are:

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (continued)

K. Financing Obligation (continued)

Business-Type Activities		
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 1,080	\$ 34,000
	<u>\$ 1,080</u>	<u>\$ 34,000</u>

L. Financing Obligation

On October 22, 2007, Mason County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase 17 roll-off containers for the landfill. The lease is for \$50,000 at an interest rate of 4.68% per annum. Interest payments are due by the 20th of each month. Principal payments are due annually by July 20. The principal outstanding as of June 30, 2009 was \$35,000. Future principal and interest requirements are:

Business-Type Activities		
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 1,077	\$ 15,000
2011	86	20,000
	<u>\$ 1,163</u>	<u>\$ 35,000</u>

M. Financing Obligation

On August 18, 2009, Mason County Fiscal Court entered into a lease agreement with Fifth Third Bank to borrow \$1,300,000 for Landfill Phase IV and Phase V construction. The agreement requires semi-annual payment of \$60,329, which includes 4.5% interest through and including July 15, 2013, and thereafter for each succeeding five-year period at a rate equal to the five-year interest rate for US Treasury Obligations, as published by the lessor's treasury department, plus 227 basis points multiplied by .65, as calculated on July 15, 2013 and July 15, 2018. The principal balance outstanding as of June 30, 2009 was \$1,269,571. Future principal and interest requirements are:

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (continued)

M. Financing Obligation (continued)

Business-Type Activities		
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 57,197	\$ 63,460
2011	54,269	66,389
2012	51,205	69,452
2013	48,137	72,520
2014	44,654	76,003
2015-2019	167,597	435,870
2020-2024	57,081	485,877
	<u>\$ 480,140</u>	<u>\$ 1,269,571</u>

N. Financing Obligation

On November 24, 2008, Mason County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust to purchase a Mack roll-off truck for the landfill. The lease is for \$125,500 at an interest rate of 3.841% per annum. Interest payments are due by the 20th of each month. Two principal payments are due in November 2011 and November 2012. The principal outstanding as of June 30, 2009 was \$125,500. Future principal and interest requirements are:

Business-Type Activities		
Fiscal Year Ended	Scheduled	Scheduled
June 30	Interest	Principal
2010	\$ 4,672	\$
2011	4,925	
2012	3,623	60,000
2013	1,124	65,500
	<u>\$ 14,344</u>	<u>\$ 125,500</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (continued)

Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Refunding Revenue Bonds, 1998 Series	\$ 630,000	\$	\$ 145,000	\$ 485,000	\$ 155,000
Refunding Revenue Bonds, 2007 Series	4,810,000		190,000	4,620,000	195,000
Financing Obligations	441,687		106,444	335,243	76,425
Governmental Activities Long-term Liabilities	<u>\$ 5,881,687</u>	<u>\$ 0</u>	<u>\$ 441,444</u>	<u>\$ 5,440,243</u>	<u>\$ 426,425</u>
<u>Business-Type Activities</u>					
Financing Obligations	\$ 824,480	\$ 1,425,500	\$ 387,582	\$ 1,862,398	\$ 310,328
Business-Type Activities Long-term Liabilities	<u>\$ 824,480</u>	<u>\$ 1,425,500</u>	<u>\$ 387,582</u>	<u>\$ 1,862,398</u>	<u>\$ 310,328</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 was \$212,380, FY 2008 was \$271,042, and FY 2009 was \$254,427.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Employee Retirement System (continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

The Mason County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Landfill Closure and Post-Closure Care

KAR 48:310 Sections 2 and 3 require the owner or operator of a landfill to have a detailed written estimate, in current dollars, of the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan.

Through an inter-local agreement with the City of Maysville, the Mason Count Fiscal Court manages the operation and accounts for the Maysville-Mason County Landfill. The landfill consists of two landfill cells:

- a) The "old" 21.5-acre residual cell that was capped in fiscal years ending 2001/2002 for \$1,318,003. Kentucky regulators approved the construction certification on August 8, 2002. Post-closure care costs are estimated at \$218,400.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 8. Landfill Closure and Post-Closure Care (continued)

- b) The “new” 41.0-acre contained cell has been operational since January 30, 1997. As of June 30, 2009, 45% of this cell’s capacity had been used. The estimated closure cost for this cell is \$2,513,500 with estimated post-closure costs of \$35,000 a year for two years and \$23,000 a year for thirty years.
- c) The residual landfill is for Dayton Power & Light (DP&L). This cell is 50% complete. DP&L is responsible for all closure costs for this cell. DP&L has paid the Maysville-Mason County Landfill \$1,099,400 (\$430,000 in the CD and \$669,400 from contract negotiation), which has been put into various CD’s and savings accounts.

Mason County is required to collect and segregate fifteen (15) percent of gross receipts of the landfill and account for it in a restricted Landfill Closure Fund. The balance maintained for the landfill closure as of June 30, 2009 was \$1,687,383. The City of Maysville and Mason County Fiscal Court will jointly fund post-closure costs.

The estimates above are based on information as of the audit date and can be altered based on inflation/deflation, technology, laws and regulations.

Note 9. Insurance

For the fiscal year ended June 30, 2009, Mason County was a member of the Kentucky Association of Counties’ All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials’ errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Related Party Transactions

The Judge Executive’s son-in-law is a licensed veterinarian and owner of Colonial Heights Veterinary Clinic. During fiscal year ended June 30, 2009, the fiscal court conducted business with the Colonial Heights Veterinary Clinic for services for the animal shelter and paid a total of \$7,609 to Colonial Heights Veterinary Clinic. This related party transaction has been presented to the Mason County Code of Ethics Committee and they found no breach of the Mason County Code of Ethics.

Commissioner Pat McKay’s brother is the owner of Limestone Produce which occasionally sells produce to the Mason County Detention Center. During fiscal year ended June 30, 2009, the fiscal court paid \$793 to Limestone Produce.

MASON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 11. Interfund Transfers

The following interfund transfers were made during the year:

From	To	Amount
General Fund	Road Fund	\$ 85,470
General Fund	Jail Fund	661,582
General Fund	LGEA Fund	50,000
General Fund	Federal Grants Fund	90,000
General Fund	MCPPC Fund	35,053
Jail Fund	MCPPC Fund	164,879
LGEA Fund	MCPPC Fund	<u>27,475</u>
Total Governmental Transfers In		\$ 1,114,459
General Fund	Solid Waste Fund	150,000
General Fund	Landfill Fund	<u>5,167</u>
Total Business-Type Transfers In		<u>155,167</u>
Total Governmental Transfers Out		<u><u>\$ 1,269,626</u></u>

Note 12. Prior Period Adjustments

Beginning Construction in Progress for governmental funds was increased \$1 due to rounding. Beginning Accumulated Depreciation – Buildings and Improvements for governmental funds was increased \$9,246 due to errors in the prior year. The overall effect of these adjustments is a decrease of \$9,245 to Net Assets – Beginning Balance for governmental funds.

Beginning Accumulated Depreciation – Vehicles for business-type activities and Beginning Accumulated Depreciation – Equipment were each decreased \$1 due to rounding. The overall effect of these changes is an increase of \$2 to the Net Assets – Beginning Balance for business-type activities.

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,404,500	\$ 2,404,500	\$ 2,699,833	\$ 295,333
In Lieu Tax Payments	38,700	38,700	38,704	4
Excess Fees	77,160	77,160	109,068	31,908
Licenses and Permits	44,200	44,200	45,017	817
Intergovernmental Revenue	370,150	455,650	382,810	(72,840)
Charges for Services	9,000	9,000	11,880	2,880
Miscellaneous	215,000	215,000	223,521	8,521
Interest	15,000	15,000	7,319	(7,681)
Total Revenues	3,173,710	3,259,210	3,518,152	258,942
EXPENDITURES				
General Government	1,181,024	1,339,685	1,191,050	148,635
Protection to Persons and Property	210,100	211,100	167,422	43,678
General Health and Sanitation	73,400	76,350	47,387	28,963
Social Services	7,000	7,000	3,365	3,635
Recreation and Culture	25,000	110,500	10,043	100,457
Bus Services	20,000	20,000	12,363	7,637
Debt Service	78,000	88,000	51,180	36,820
Capital Projects	25,000	25,000		25,000
Administration	1,314,186	1,531,639	882,576	649,063
Total Expenditures	2,933,710	3,409,274	2,365,386	1,043,888
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	240,000	(150,064)	1,152,766	1,302,830
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(1,040,000)	(1,040,000)	(1,077,272)	(37,272)
Total Other Financing Sources (Uses)	(1,040,000)	(1,040,000)	(1,077,272)	(37,272)
Net Changes in Fund Balance	(800,000)	(1,190,064)	75,494	1,265,558
Fund Balance - Beginning	800,000	1,190,064	1,190,064	
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,265,558	\$ 1,265,558

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,040,178	\$ 1,040,178	\$ 876,497	\$ (163,681)
Charges for Services	3,000	3,000	4,244	1,244
Miscellaneous	6,000	6,000	4,107	(1,893)
Interest	1,500	1,500	1,390	(110)
Total Revenues	<u>1,050,678</u>	<u>1,050,678</u>	<u>886,238</u>	<u>(164,440)</u>
EXPENDITURES				
Roads	848,300	831,956	654,185	177,771
Debt Service	38,000	44,000	43,653	347
Administration	364,378	302,928	216,467	86,461
Total Expenditures	<u>1,250,678</u>	<u>1,178,884</u>	<u>914,305</u>	<u>264,579</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(128,206)</u>	<u>(28,067)</u>	<u>100,139</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>50,000</u>	<u>50,000</u>	<u>85,470</u>	<u>35,470</u>
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>85,470</u>	<u>35,470</u>
Net Changes in Fund Balance	(150,000)	(78,206)	57,403	135,609
Fund Balance - Beginning	<u>150,000</u>	<u>78,206</u>	<u>78,206</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 135,609</u>	<u>\$ 135,609</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,226,100	\$ 1,226,100	\$ 1,159,430	\$ (66,670)
Charges for Services	105,500	105,500	112,856	7,356
Miscellaneous	80,800	80,800	131,924	51,124
Interest	300	300	395	95
Total Revenues	1,412,700	1,412,700	1,404,605	(8,095)
EXPENDITURES				
Protection to Persons and Property	1,299,659	1,395,859	1,361,298	34,561
Debt Service	165,000	165,000		165,000
Administration	798,041	762,831	528,299	234,532
Total Expenditures	2,262,700	2,323,690	1,889,597	434,093
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(850,000)	(910,990)	(484,992)	425,998
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(164,879)	(164,879)
Transfers From Other Funds	800,000	800,000	661,582	(138,418)
Total Other Financing Sources (Uses)	800,000	800,000	496,703	(303,297)
Net Changes in Fund Balance	(50,000)	(110,990)	11,711	122,701
Fund Balance - Beginning	50,000	110,990	110,990	
Fund Balance - Ending	\$ 0	\$ 0	\$ 122,701	\$ 122,701

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 390,000	\$ 390,000	\$ 331,203	\$ (58,797)
Miscellaneous	69,000	69,000	71,862	2,862
Interest	500	500	368	(132)
Total Revenues	459,500	459,500	403,433	(56,067)
EXPENDITURES				
General Government	140,100	140,100	85,274	54,826
Protection to Persons and Property	45,544	47,662	39,267	8,395
General Health and Sanitation	30,600	30,600	19,685	10,915
Social Services	39,700	45,700	37,343	8,357
Recreation and Culture	129,500	131,000	126,730	4,270
Roads	44,000	47,000	46,293	707
Airports	7,500	8,000	8,000	
Debt Service	19,600	27,490		27,490
Administration	77,956	89,612	26,519	63,093
Total Expenditures	534,500	567,164	389,111	178,053
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(75,000)	(107,664)	14,322	121,986
OTHER FINANCING SOURCES (USES)				
Transfers Out			(27,475)	(27,475)
Transfers In	50,000	50,000	50,000	
Total Other Financing Sources (Uses)	50,000	50,000	22,525	(27,475)
Net Changes in Fund Balance	(25,000)	(57,664)	36,847	94,511
Fund Balance - Beginning	25,000	57,664	57,663	(1)
Fund Balance - Ending	\$ 0	\$ 0	\$ 94,510	\$ 94,510

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

STATE GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 525,000	\$ 525,000	\$ 348,157	\$ (176,843)
Interest	100	100	709	609
Total Revenues	525,100	525,100	348,866	(176,234)
EXPENDITURES				
General Health and Sanitation	127,250	127,250	119,049	8,201
Capital Projects	400,000	476,000	447,857	28,143
Administration	17,850	151,291		151,291
Total Expenditures	545,100	754,541	566,906	187,635
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(20,000)	(229,441)	(218,040)	11,401
Net Changes in Fund Balance	(20,000)	(229,441)	(218,040)	11,401
Fund Balance - Beginning	20,000	229,441	229,441	
Fund Balance - Ending	\$ 0	\$ 0	\$ 11,401	\$ 11,401

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	FEDERAL GRANTS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 100,000	\$ 104,000	\$	\$ (104,000)
Total Revenues	100,000	104,000		(104,000)
EXPENDITURES				
Protection to Persons and Property	100,000	104,000	89,747	14,253
Administration		100		100
Total Expenditures	100,000	104,100	89,747	14,353
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		(100)	(89,747)	(89,647)
OTHER FINANCING SOURCES (USES)				
Transfers In			90,000	90,000
Total Other Financing Sources (Uses)			90,000	90,000
Net Changes in Fund Balance		(100)	253	353
Fund Balance - Beginning		100	100	
Fund Balance - Ending	\$ 0	\$ 0	\$ 353	\$ 353

MASON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable James Gallenstein, Mason County Judge/Executive
Members of the Mason County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Mason County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated April 26, 2010. Mason County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mason County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mason County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mason County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Mason County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Mason County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

April 26, 2010

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

MASON COUNTY FISCAL COURT

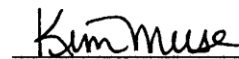
**For The Fiscal Year Ended
June 30, 2009**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MASON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Mason County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Mason County Judge/Executive


Mason County Treasurer

